

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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INFO AMEMBASSY BONN

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USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: GATT ETRD

SUBJECT: FRENCH EXPORT INSURANCE SCHEME

REF: (A) OECD PARIS 11166; (B) OECD PARIS 12088; (C) GENEVA 2050

BEGIN SUMMARY. MISSION BELIEVES THAT DIFFICULTIES IN
CONVINCING FRENCH TO DISCUSS EXPORT INSURANCE PROGRAM IN OECD
MAKE IT NECESSARY THAT WE AT LEAST DRAW ATTENTION TO SCHEME
IN GATT COUNCIL AND EXPRESS OUR CONCERNS. END SUMMARY.

1. SINCE FRENCH CONTINUE TO EVADE OECD CONSULTATIONS ON
THEIR EXPORT INFLATION INSURANCE SCHEME (REFS A AND B), AND
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SINCE SCHEME DOES SEEM TO BE EXPORT SUBSIDY CONTRARY TO

GATT ART. XVI, BELIEVE WE SHOULD NOW RAISE MATTER IN GATT COUNCIL. U.S. SPOKE ON PROPOSED U.K. SCHEME AT MARCH 24 COUNCIL (REFTEL C), AND FAILURE AT LEAST TO MAKE DIRECT REFERENCE TO EXISTING FRENCH SCHEME WOULD BE MAJOR OMISSION ON OUR PART. FRENCH EXPORT INSURANCE PROGRAM IS LARGE (COSTING AT LEAST 900 MILLION FRANCS PER YEAR NOW AND 1.5 BILLION IN 1976-78, PER PARIS 7970), AND ITS EXISTENCE HAS BEEN CITED AS MAJOR FACTOR IN FORMULATION OF BRITISH SCHEME, WHICH NOT YET IMPLEMENTED. WE AWARE THAT OTHER COUNTRIES MAY ALREADY HAVE OR ARE CONSIDERING EXPORT INSURANCE SIMILAR TO FRENCH AND PROPOSED U.K. SCHEMES, ALTHOUGH ONLY THOSE PROGRAMS HAVING COSTS WHICH NOT COVERED BY PREMIUMS SHOULD BE OF CONCERN.

2. SUGGEST AS MINIMUM WE MAKE COUNCIL STATEMENT SIMILAR TO OUR STATEMENT ON U.K. SCHEME THAT FRENCH AND OTHER SIMILAR SCHEMES BE NOTIFIED, SAYING THEY MIGHT CONTRAVENE ART. XVI:4, RESERVING RIGHT DEAL WITH MATTER FURTHER IN GATT AT LATER TIME, AND ADDING THAT GATT DISCUSSION NEITHER PRECLUDES NOR PREJUDICES TREATMENT OF QUESTION IN MTN OR OTHER FORA. WE COULD NOTE THAT WHEN U.S. MENTIONED U.K. SCHEME IN MARCH COUNCIL, EC DOUBTED ART. XVI:4 WOULD BE RELEVANT AND CITED 1960 WP REPORT IN BISD 9TH SUPPLEMENT. HOWEVER, WE NOTE THAT WP REPORT LISTED FOLLOWING AS A SUBSIDY IN THE SENSE OF ART. XVI:4 (P.187):

"(F) IN RESPECT OF GOVERNMENT EXPORT CREDIT GUARANTEES, THE CHARGING OF PREMIUMS AT RATES WHICH ARE MANIFESTLY INADEQUATE TO COVER THE LONG-TERM OPERATING COSTS AND LOSSES OF THE CREDIT INSURANCE INSTITUTIONS."

3. NEXT GATT COUNCIL IS EXPECTED IN EARLY JUNE, BUT SPECIFIC DATE NOT YET SELECTED. BELIEVE ABOVE-RECOMMENDED HANDLING OF FRENCH SCHEME IS REQUIRED AS MINIMUM.

4. UNDERSTAND MTN DEL INTENDS NOTIFY FRENCH AND SIMILAR SUBSIDY PRACTICES IN CONTEXT OF INITIATING WORK ON SUBSIDY/COUNTERVAILING DUTY CODE IN JUNE 2-13 MTN SUBGROUP, AND THUS MTN FORUM COULD EMERGE AS FOCAL LIMITED OFFICIAL USE

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POINT FOR ADDRESSING PROBLEM OF COMPETITIVE SUBSIDIZATION. HOWEVER, IF JUNE MEETING IS UNSUCCESSFUL IN INITIATING WORK ON SUBSIDIES/COUNTERVAILING DUTY CODE, IT MAY BE DESIRABLE CONSIDER OTHER ACTION ON FRENCH MEASURE, SUCH AS ART. XXII-XXIII PROCEDURES. THIS MESSAGE HAS BEEN COORDINATED WITH MTN DELEGATION. DALE

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